GOVERNMENT OF INDIA
DEPARTMENT OF COMMERCE

REPORT
OF THE
INDIAN TARIFF BOARD
ON THE
STEEL BALING HOOPS INDUSTRY

सत्यमेव जयते

1946

PERSONNEL OF THE BOARD.

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REPORT ON THE STEEL BALING HOOPS INDUSTRY

Reference to the Board.

1. Steel hoops for baling was one of the industries referred to the Board for investigation of its claim for assistance or protection under Government of India, Department of Commerce, Resolution No. 218-T (55)/45, dated the 3rd November 1945 (Appendix I). The Resolution stated, *inter alia*, that pending the formulation of a tariff policy appropriate to the post-war needs and conditions of the country and the establishment of a permanent machinery for the purpose, Government would set up machinery for investigating claims from industries which had been started or developed in wartime and which were established on sound lines to assistance or protection during the transition period.

Scope of Inquiry.

2. In referring the industry to the Board, Government directed that the Board should, after such examination as it might consider necessary, report whether the industry satisfied the following conditions :—

(1) that it is established and conducted on sound business lines; and

(2) (*a*) that, having regard to the natural or economic advantages enjoyed by the industry and its actual or probable costs, it is likely within a reasonable time to develop sufficiently to be able to carry on successfully without protection or State assistance; or

(*b*) that it is an industry to which it is desirable in the national interest to grant protection or assistance and that the probable cost of such protection or assistance to the community is not excessive.

Where a claim to protection or assistance is found to be established, *i.e.*, if condition (1) and condition (2) (*a*) or (*b*) are satisfied the Board will recommend—

(i) whether, at what rate and in respect of what articles, or class or description of articles, a protective duty should be imposed;

(ii) what additional or alternative measures should be taken to protect or assist the industry; and

(iii) for what period, not exceeding three years, the tariff or other measures recommended should remain in force.

Government further directed that in making its recommendations the Board should give due weight to the interests of the consumers in the light of the prevailing conditions and also consider how its recommendations would affect industries using the articles in respect of which protection might be granted.

In our report on calcium chloride, we have drawn a comparison between the terms of reference of this Board and of previous Tariff

Boards. Briefly, as we have pointed out, the tests which an industry must fulfil before it can qualify for protection or assistance are now less stringent in view of the desirability of pursuing a liberal protective policy in the context of the recently announced Government industrial policy. Generally, the broad criterion to be adopted is that, unless an industry started during wartime suffers from inherent economic handicaps, there is a *prima facie* case for helping it to keep alive until a detailed examination of its position and prospects in the light of a long-range policy of industrial protection could be undertaken. This, it is presumed, is one of the reasons why the period for which protection or assistance might be recommended by the Board is limited to a period not exceeding three years.

Method of inquiry.

3. On the 28th November 1945, the Board issued a press communiqué inviting associations, firms or persons, including producers, importers and consumers, directly interested in this industry or dependent upon this industry for their raw materials, who wished their views to be considered by the Board, to submit their representations by the end of December 1945. The representations were required to be supported by facts and figures regarding, *inter alia*,

(1) domestic demand for the commodity;
(2) volume and cost of imports;
(3) cost of production;
(4) general financial position of the producers; and
(5) the exact nature of protection or assistance applied for.

4. The Board also issued a detailed questionnaire for producers inviting replies by the 15th February 1946. All Provincial Governments and Administrations were addressed and requested, besides giving their views, to furnish the Board with full information regarding the works or factories engaged in the production of steel hoops for baling, their estimated annual output, availability of raw materials for the industry within the Province/Administration, sources and character of demand, possibilities of extension or stabilization of the present development and likely effect of the grant of protection to this industry on other industries using steel hoops for baling. The views of chambers of commerce and associations were invited through a circular letter. As the steel hoops industry was started during wartime under direct encouragement from the Supply Department, the Industries and Supplies Department was requested to furnish the Board with such information regarding the present state of development of the industry and its future prospects as might be available with the Department and might be of use to the Board. The views of the Indian Central Cotton Committee, the Bombay and Ahmedabad Mill Owners' Associations, the Indian Jute Mills' Association, and the Indian Central Jute Committee were invited in regard to the quality of Indian-made hoops and their suitability for baling raw cotton and

for jute and cotton manufactures in comparison with imported hoops. The British Iron and Steel Federation and the National Association for rolled and re-rolled steel products, besides the Cochin Chamber of Commerce, sent representations to the Board opposing application for protection to the steel baling hoops industry, on the ground of the unsuitability of Indian-made hoops in respect of both quality and high cost in relation to imported hoops. Leading importers were requested to furnish the Board with information regarding the detailed break-up of the landed costs of the imported jute and cotton baling hoops. A list of producers, consumers and importers, who submitted written evidence to the Board, is appended. (Appendix II.)

5. The President, Sir Shanmukham Chetty, paid a visit to the J. K. Iron and Steel Company's works, Cawnpore, on the 5th April 1946, accompanied by an officer of the Industries and Supplies Department. Oral evidence of representatives of producers, consumers and importers was taken at Calcutta on the 9th, 10th and 11th April 1946 and a list of the witnesses examined is appended. (Appendix III.)

Application for protection.

6. The original application for assistance or protection to the steel baling hoops industry was received from the J. K. Iron and Steel Company, Limited, Cawnpore, on the 5th June 1945, in a representation addressed to the Commerce Department in response to the Government of India press communiqué inviting claims from wartime industries to assistance or protection during the transition period. On the 28th December 1945, the Company submitted a representation to the Board in response to our press communiqué of the 28th November 1945. The representation referred to the following main requests of the Company for assistance or protection :—

(*a*) arrangements for the supply of billets to it from the main steel producers so as to enable the Company to run its mills to full capacity in order to reduce costs and meet the entire demand for jute baling hoops, in the production of which the company is primarily engaged;

(*b*) the supply of cheap billets or grant of subsidy to the extent of the subsidy which the Company has reason to believe was being given in the United Kingdom or, alternatively, grant of protection through the levy of additional duty;

(*c*) the grant of specially low railway rates having regard to the low frieght rates prevailing in other countries, *e.g.*, Canada; and

(*d*) assistance to import additional plant.

Assistance and protection was requested for five years.

On the 22nd January 1946, the Mysore Iron and Steel Works, Bhadravati, submitted a representation for protection or assistance to the baling hoops industry in response to the Board's press communiqué. The representation made the following requests in regard to the industry and the measure of assistance or protection required :—

" (i) that the selling price of the Indian manufacture may be continued at the present level of Rs. 900 per ton ex producer's works till the end of June 1946;

(ii) that the selling price for the succeeding three years ending June 1949 may be fixed in relation to the anticipated reasonable cost of manufacture of the indigenous product from year to year, with due reference to variation in costs of materials and working conditions, if any, that may occur during each period;

(iii) that on the above basis the fair selling price ex-works, in our case for the year ending the 1st July 1947, be fixed at Rs. 617·41 or, say, Rs. 620 subject to the revision mentioned above;

(iv) that due protection against competition from foreign imports be given during the period by levying a suitable protective duty or by other means; and

(v) that facilities be provided for making available to the works the requisite quantity of billets at fixed prices either from surplus manufacture in the country or by imports."

History of the Industry.

7. Before the war, steel hoops for baling were not manufactured in India, all the requirements of the country being met by imports from abroad. The statistics of sea-borne trade give the total figures of imports of all kinds of hoops and strips but do not give separate figures for the different categories of hoops. The figures of imports for different years are given in a later paragraph of this report (paragraph 12). In 1936, the J. K. Iron and Steel Company, Limited, Cawnpore, was formed for the manufacture of steel baling hoops. The main equipment was supplied by the Czechoslovakian firm of Skodas; but on account of the outbreak of war, the technical assistance on which the Company had counted for the erection and the initial running of the mill was not available. When production was actually started in 1940, the mill had to be operated without the benefit of any expert technical advice. This was one of the serious handicaps which the Company had to face as the production of steel hoops requires technical skill of a high order. The Company had also installed an electric furnace for the production of mild steel billets. Since 1943 the entire demand of the jute industry for steel hoops has been met by the J. K. Iron and Steel Company. The Iron and Steel Controller directed this Company to concentrate on the manufacture of jute baling hoops as the Company was unable to overcome the additional technical difficulties involved in the production of cotton baling hoops. In 1942–43, a shortage of cotton baling hoops was anticipated and it was decided to get some quantity manufactured in the country. The J. K. Iron and Steel Company was unable to roll the ¾ inch × 20 B.G. steel hoop which is the most common specification

for baling cotton, but they agreed to roll ¾ inch × 16 B.G. as a substitute. This proposal was accepted by the Steel Controller and the Company produced in all 573 tons of cotton baling hoops in 1943. Thereafter, they confined themselves to the production of jute baling hoops till the middle of 1945 when they stated that they were in a position to roll cotton baling hoops of ¾ inch × 20 B.G. and received a trial order for 1,000 tons. In the meantime, the Indian Steel Rolling Mills at Negapatam agreed to roll ¾ inch × 20 B.G. although their mill was not designed for this purpose. In all, the Negapatam Mills produced about 3,000 tons of cotton baling hoops; since then they have discontinued the production of any baling hoops.

8. The Mysore Iron and Steel Works at Bhadravati had decided some time before the outbreak of war to install in their works additional equipment for manufacturing steel hoops. After operating their bar and rod mill for some months, hoops were rolled with the new equipment. Since the rolling of hoops curtailed the production of bars and rods for which the demand was increasing, the manufacture of hoops was suspended for the time being. The question of the continuous manufacture of baling hoops without affecting the production of other sections was again taken up and proposals for putting up an additional mill utilizing the existing hoop-making equipment were under way when the war broke out in September 1939. In 1941 when the position regarding the supply of hoops was critical, the works made an offer to the Government of India that they would undertake the manufacture of cotton baling hoops. This offer was welcomed by the Central Government which gave the highest priorities for the supply of the necessary machinery from the United Kingdom and for the structural steel required from Indian manufacturers. Though the plant was erected in 1944, the works expect to commence regular production only from July 1946. For the present, until the production of pig iron and steel at Bhadravati is increased by the installation of an electric pig iron furnace and of the billet and light structural mill for which action is being taken, the mild steel billets required for the manufacture of steel hoops will have to be supplied from other sources of Indian production or imports from abroad.

The process.

9. The essential raw material for the hoop industry is steel billet of medium carbon content. The process of manufacturing steel ingots from iron smelted from the ore is carried out in the main steel works. The ingots are then reduced to suitable size by heating and cogging. In addition to the main steel works in the country, a number of small electric furnaces ranging in capacity from five to ten tons per charge have been set up for the manufacture of billets. Mild steel ingots are manufactured in these electric furnaces from mild steel scrap which is collected from railways, fabricating workshops,

etc. The manufacture of steel ingots from the electric furnace is, however, a very costly process. The small ingots produced in the electric furnace are sometimes rolled straight down to finished sections and in other cases they are cogged down to billets which are re-heated again and used in the finishing operations. In the re-rolling process, billets are heated and then rolled to the finished section required. In the finishing stages jute hoops are varnished. In the production of baling hoops suitable for the various articles to be press-packed, great care has to be taken, amongst other things, about the internal **expanding** pressure which the hoops have to withstand for the period they are under such pressure. The hoops must be of the required tensile strength and of the narrowest widths and the thinnest gauges best suited for the particular type of product to be press-baled. It is necessary to maintain an adequate safety margin and at the same time give the users a maximum footage per ton of hoops that will satisfy the purpose for which the hoops are required. In order to produce a specified tonnage of hoops, the manufacturer has to face special difficulties owing to the lightness of the finished section. To finish the hoop before it becomes too cold, the mill must be run at very high speeds, and expert labour and supervision are required.

Uses.

10. Steel baling hoops are mainly used for baling raw cotton, finished cotton goods and jute manufactures. Small quantities are also used for box strapping, paper baling and the baling of coir yarn. The size of hoop required for jute baling is 1 inch × 16 B.G. and for cotton baling ¾ inch × 20 B.G. Hoops used for box trapping and paper baling are cold-rolled and their size generally varies from ½ inch to ¾ inch width and 24 to 26 B.G. The coir yarn industry generally uses cotton baling hoops.

Estimated demand.

11. According to the Indian Jute Mills Association, the demand for jute hoops is about 12,000 tons per annum based on an estimated gunny production of 100,000 tons per month. According to the information supplied by the Indian Central Cotton Committee, the quantity of hoops required for baling raw cotton is about 14,000 tons per annum based on an estimated normal crop of cotton of about 55 lakhs of bales out of which about 47 lakhs of bales may be expected to be pressed. The Indian Central Cotton Committee has recommended to the Government of India that the acreage under cotton during the 1946-47 season should not exceed that during the current season. If this recommendation is accepted, the quantity of hoops required for baling raw cotton in 1946-47 will be about 11,000 tons. The normal demand, however, may be taken at 14,000 tons of hoops per annum. It has not been possible for us to obtain accurate data regarding the quantity of hoops required for baling manufactured cotton goods. The difficulty of obtaining accurate estimates is partly due to the practice in the cotton trade of using second-hand hoops in the baling of finished cotton goods. It is

estimated, however, that the total quantity of hoops required for the cotton industry as a whole will be about 18,000 tons per annum. The coir yarn industry would require about 800 tons per annum. About 750 tons per year will be required for baling raw wool. Besides these, some quantity of strips for binding paper bales and for box strapping would also be required. The total demand of all categories of hoops may be taken at 30,000 to 35,000 tons per annum.

Imports.

12. The following table gives the total quantity of imports of hoops and strips and their value for different years :—

Figuees given are to the nearest hundred.

Year.	Quantity. TONS.	Value. RS.
1936–37	41,200	53,91,600
1937–38	48,500	85,72,500
1938–39	24,500	48,68,600
1939–40	33,200	73,32,600
1940–41	45,900	1,46,69,200
1941–42	16,700	60,81,700
1942–43	10,900	46,72,400
1943–44	8,700	36,98,100
1944–45	16,400	71,64,500

In the pre-war years, considerable quantities were imported from Belgium, Germany, France and Japan. For instance, in 1936–37, while 15,200 tons were imported from the United Kingdom, 10,700 tons were imported from Belgium, 6,400 tons from Germany, 2,300 tons from France, and 1,500 tons from Japan. Besides, 2,800 tons were imported from the United States during that year. During the early years of the war, considerable quantities were imported from Japan and Belgium. In 1939–40, while the United Kingdom maintained its export to India and supplied 14,400 tons, Belgium's share was 6,000 tons, the share of France was 1,900 tons, the share of Japan was 5,500 tons, and that of the United States 2,200 tons. The United Kingdom kept up its exports to India in 1940–41 also and supplied 15,000 tons. In the same year Japan supplied 8,400 tons, the United States 18,300 tons, and Belgium 3,400 tons. In the next year 1941–42, the imports from the United Kingdom indicate a sharp tall to 5,900 tons. Japan sent 3,300 tons and the United States 7,300 tons. Thereafter imports from the United Kingdom became almost negligible and the only source of supply was the United States of America. It will thus be seen that the two main sources of supply in the pre-war years were the United Kingdom and the continent of Europe with Japan sharing a part of the import trade. During 1943–44 and 1944–45 practically all the imports came from the United States.

Domestic production.

13. There are at present only two concerns in the country manufacturing baling hoops, *viz.*, (1) the J. K. Iron and Steel Co., and (2) the Mysore Iron and Steel Works. Besides these, the Tata Iron and Steel Co., started the manufacture of cotton baling hoops at the Indian Steel Rolling Mills at Negapatam at the instance of the Government of India in December 1943, owing to the acute shortage of these hoops in the country. The Negapatam works were, however, not designed for this purpose, and therefore after a short time the manufacture of hoops was discontinued in May 1945. The Tata Iron and Steel Co. has informed us that it does not contemplate the manufacture of baling hoops at the Negapatam works under normal circumstances. The rated capacity of the J. K. Iron and Steel Co. is about 12,000 tons of jute hoops per annum provided the necessary quantity of billets is supplied. Its plant is specially designed for the manufacture of jute baling hoops, and if it is to undertake the manufacture of cotton baling hoops, certain major changes in the plant and machinery would be required. As a matter of fact, the actual production of the J.K. Iron and Steel Co. during the last three years has been as follows :—

YEAR.	TONS.
1942-43	5,030
1943-44	4,407
1944-45	5,857

The capacity of this factory to reach its maximum output depends entirely on the supply of billets. If billets either of domestic or of foreign origin are not supplied to it, it can run its plant only by making mild steel billets in its own electric furnace. Apart from the production of billets from the electric furnace being very costly, the capacity of the hoop mill is considerably higher than that of the electric furnace. Therefore, if the full capacity of this plant is to be realized, the necessary quantity of billets will have to be supplied. The plant of the Mysore Iron and Steel Works is specially designed for the manufacture of cotton baling hoops. Its rated capacity is 5,000 tons of cotton baling hoops per year, and it is proposed to extend the equipment as early as possible so as to double this quantity. In the case of the Mysore Iron and Steel Works also billets will have to be supplied for the present. They would, however, be in a position to manufacture their own billets from the middle of 1947. It would thus appear that, provided billets are made available, the entire quantity of 12,000 tons of jute hoops required by the jute industry can be manufactured in the country. The rated capacity of the plant available at Bhadravati for the manufacture of cotton baling hoops will, however, supply only about 25 per cent of the requirements of the cotton industry.

Arrangements made by the Steel Controller.

14. Before examining the cost of production, it would be helpful to give a brief account of the arrangements made by the Iron and Steel Controller with

re-rollers regarding the cost of manufacturing steel hoops and the selling price. On the 1st August 1941 the Iron and Steel (Control of Production and Distribution) Order, 1941, came into force. Under the provisions of this Order, the Iron and Steel Controller had not the power to control prices. However, in April 1942, by an agreement with the re-rollers conversion rates were fixed taking into account the special difficulties of the re-rollers. It was decided to treat hoop production as a special case. A scheme has been adopted under which the re-rollers sell their products at prices declared by the Iron and Steel Controller. This is the selling price. On the other hand, each re-roller is entitled to receive for his work a remuneration based on the cost of his materials and an agreed conversion, this being called his retention price. When in any transaction the amount realized from sales exceeds the retention price, the re-roller pays the excess to the Equalization Fund; and where the realization is less than the retention price, he is paid the difference from the Equalization Fund. Both the J. K. Iron and Steel Company and the Indian Steel Rolling Mills at Negapatam had been operating in accordance with this arrangement. The selling price of jute hoops was fixed at Rs. 770 per ton f.o.r. ports and of cotton hoops at Rs. 900 f.o.r. ports. The conversion rate was fixed on a sliding scale according to production. Since the operation of this scheme the selling price has been stabilised, while the retention price has varied in accordance with the decision arrived at by negotiations from time to time. On the basis of cost examination and negotiation, the retention price ex-works of jute hoops 1 inch by 16 B.G. has varied from Rs. 724 to Rs. 855 per ton in the case of the J. K. Iron and Steel Company. For the cotton baling hoops both the J. K. Iron and Steel Company and the Indian Steel Rolling Mills were given a retention price of Rs. 750 per ton for the first trial order of 1,000 tons in each case. Thereafter, the retention price was reduced to Rs. 580 per ton. Up to June 1945 the retention price allowed to J.K. Iron and Steel Company has been Rs. 724 per ton. The cost of the billet has been calculated at Rs. 330 per ton based on the cost of electric furnace billets. The retention price of Rs. 724 is, therefore, made up of Rs. 330 cost of billets plus Rs. 394 conversion cost. It is proposed by the Steel Controller to reduce the retention price from June 1945 to Rs. 652 per ton. The price of the billets which are supplied by the Iron and Steel Controller is taken as Rs. 276-8-0. This cost is arrived at as follows:—

	RS.	A.	P.
Price of billets f.o.r. port	191	0	0
Railway freight to Cawnpore on billets	38	8	0
Wastage of 20 per cent	47	0	0
Total cost of billets ..	276	8	0

On the basis of the proposed retention price of Rs. 652, the conversion cost would be Rs. 375-8-0.

Cost of production.

15. In estimating the cost of production the only basis available is the actual experience of production by the J. K. Iron and Steel Company. The examination of the accounts of this company has been complicated by two main factors :

(*a*) besides baling hoops the company has been producing rods and bars and certain other miscellaneous products, and it does not maintain cost accounts showing separately the expenditure on each type of product ;

(*b*) its expenses are not grouped under convenient heads which will show the actual expenses incurred on the different items of cost. The accounting system adopted by the company is to charge all expenditure under one or the other of four accounts, namely, steel production account, foundry account, rolling mill account and engineering account. In order, therefore, to find the expenditure on, say, power and fuel, it is necessary to analyse all the four accounts and pick out the debits made on various items throughout the year in each of them.

The company maintains accounts which are closed on the 30th April every year and are audited by a regular firm of auditors. The annual accounts and balance sheet for the year ending the 30th April 1945 have not yet been certified by the auditors because the rate for the closing stock of hoops has not been finally fixed by Government. During the year 1944–45, the production and costs were as follows :—

Product.	Quantity produced.	Cost.
	TONS.	RS.
Jute hoops	5,005	36,92,000
Cotton hoops	686	7,91,000
Commercial hoops of various sizes	144	1,31,000
Bars and rods	943	3,09,000
Foundry castings sold	..	74,000
Cutlery, small tools, fabrication work, etc.	..	3,79,000

In addition, there were 1,907 tons of defectives and the amount realized on the sale of these has been credited to the hoop costs. The manufacturing cost of jute hoops per ton including the cost of billets comes to Rs. 738 per ton of jute hoops and Rs. 1,162 per ton of cotton hoops. We have no hesitation in saying that these costs must be considered as inordinately high. The total labour cost is Rs. 11,08,000 which works out at Rs. 76 per ton of jute hoops and Rs. 159 per ton of cotton hoops. On the face of it the labour charges must be considered as unduly heavy. The expenditure under repairs and maintenance comes to Rs. 8,42,000 and under consumable stores to Rs. 10,38,000. A large part of the expenditure on consumable stores must be taken to be expenditure on repairs and maintenance. In other words, repair and maintenance charges amount to about Rs. 18·80 lakhs. No possible explanation can justify an expenditure of Rs. 18·80 lakhs under repairs and maintenance on a factory of which the block has cost Rs. 19·5 lakhs! Per ton of jute hoops this item of expenditure comes to Rs. 148. General services, supervision and establishment have cost Rs. 4,83,000. This item represents salaries of the supervisory and office staff and the wages of watch and ward and general staff, which work out at Rs. 33 per ton of jute hoops and Rs. 69 per ton of cotton hoops. We have picked out only a few representative items of expenditure to show that the expenditure involved on these items is exorbitantly high and is certainly capable of reduction. The average conversion cost of jute hoops comes to Rs. 340 per ton.

16. Fortunately, the Mysore Iron and Steel Works have furnished us with their own estimates of the cost of manufacture of cotton baling hoops. Though the figures supplied are only estimates, they may be taken as providing a fair guidance for arriving at a reasonable cost of conversion. It must be remembered that the cost of conversion in the case of cotton baling hoops is definitely higher than for jute baling hoops. On a production of 50 per cent. of the rated capacity, the Mysore Iron and Steel Works have estimated that labour will cost Rs. 50·60 per ton, salaries Rs. 23·46 per ton, and repairs and supplies including the renewal of rolls Rs. 30 per ton, and general expenses of administration and management Rs. 21·28 per ton. After making the necessary adjustments in the estimate of the Mysore Iron and Steel Works for the value of return on scrap and for return at 10 per cent. on the fixed capital expenditure, the conversion cost comes to Rs. 320 per ton. This conversion cost covers all items of expenditure inclusive of the manufacturer's profit. The J. K. Iron and Steel Company also has worked approximately to 50 per cent. of their rated capacity and yet their conversion cost for jute baling hoops is Rs. 340 per ton. The J. K. Iron and Steel Company has contended that even this conversion cost does not cover the interest on working capital and the manufacturer's profit. But an examination of its own balance sheets for the years 1942–43 and 1943–44 discloses that very considerable profits have been made on the operation of its works. Though the profit disclosed in the balance sheet represents the profit made on the manufacture of articles besides hoops, it would be reasonable to infer that the hoop manufacture also has given a substantial profit.

Board's estimate of the cost of production.

17. As indicated in the previous paragraph we have no accurate data of actual costs based on production. Under the circumstances the Board has to make an estimate of what it considers to be a reasonable cost after taking into account the experience gained by the J. K. Iron and Steel Company, the estimates furnished by the Mysore Iron and Steel Works and the information available regarding the conversion cost of jute and cotton baling hoops in the United Kingdom. In arriving at an estimate of cost for the

purpose of this inquiry we have to assume a fixed price for the billets. It is not really a function of the re-roller to produce the billets himself. He has to work on billets which are made available to him. The re-roller is therefore responsible only for the cost of conversion.

Under the present circumstances, we think that a price of Rs. 160 per ton f.o.r. port for steel billets of medium carbon content may be considered reasonable. We understand that the Iron and Steel Controller has arranged for the supply of billets to some of the re-rollers at Rs. 156 per ton f.o.r. port from 1st April 1946. Adding Rs. 4 per ton for quality, Rs. 160 per ton f.o.r. port would be a reasonable cost of billets for the hoop industry.. We indicate in another paragraph the manner in which billets should be made available to the hoop industry at this price. Assuming that the hoop manufacturer would get his billets at Rs. 160 per ton f.o.r. port, we must first decide what should be the percentage of wastage to be allowed from billets to finished hoop. We were informed that in the United Kingdom for every 100 tons of billets 92 tons of finished jute hoops would be recovered, and 5 tons of saleable scrap would be produced. The balance of 3 tons represents the absolute irrecoverable loss. In the manufacture of cotton hoops there would be a recovery of 89 tons of finished hoops and 7 tons of saleable scrap with an absolute loss of 4 tons. From the records of the J. K. Iron and Steel Company it was found by our Cost Accountant that during 1944–45 for every 100 tons of billets only 72 tons of finished hoops were recovered with a balance of 21 tons of saleable scrap and 7 tons as irrecoverable loss. Compared with the results achieved in the United Kingdom this must be considered to be an unsatisfactory performance. We fully realise that the United Kingdom re-roller has long experience, skilled labour and efficient and highly mechanised equipment. Even making due allowance for the handicaps of the Indian re-roller in these matters, we think that any reasonably efficient mill in India should produce for 100 tons of billets at least 85 tons of finished jute hoops and 12 tons of saleable scrap and 3 tons representing irrecoverable loss. In the case of cotton hoops the corresponding figures should be at least 80 tons of finished hoops, 16 tons of saleable scrap and 4 tons representing irrecoverable loss.

18. Having arrived at an estimate of the cost of billets and the reasonable percentage of loss that should be allowed, we may now make an estimate of what should be a reasonable conversion cost. Here again, we have to base our estimate on the information available from various sources. We were told that the conversion cost of jute hoops in the United Kingdom is about Rs. 103 per ton and of cotton hoops Rs. 136 per ton. The conversion cost includes not merely the primary cost of manufacture but the expenses under depreciation, overhead charges, interest on working capital and profit on the manufacturer's capital as well. In the following

paragraphs of our report the term " conversion cost " is used in this wider sense. Analysing the cost of production of the J. K. Iron and Steel Company for 1944–45 it is found that the conversion cost comes to Rs. 340 per ton on a production of 5,000 tons, excluding the manufacturer's profit. We consider that this cost is very high.. In paragraph 15 above, we have given our comments on some of the main items of expenditure which we consider to be excessively high.

19. The Mysore Iron and Steel Works have furnished us with their estimate of the cost of production of cotton hoops. The cost of conversion of cotton hoops is higher than that of jute hoops. In the United Kingdom the difference is about Rs. 33 per ton. In India we may make an allowance for a difference of Rs. 60 to Rs. 70 per ton. According to the estimate of the Mysore Iron and Steel Works, after providing for a return of 4 per cent. on working capital and 10 per cent. on the fixed capital expenditurt, the conversion cost comes to Rs. 320 per ton of hoops on an estimated output of 50 per cent. of the rated capacity. Taking all these factors into consideration, we think that a conversion cost of Rs. 250 per ton of hoops would be reasonably ample in the case of the J. K. Iron and Steel Company. Based on these calculations, the cost of production per ton of jute hoops as estimated by the Board works out as follows. It must be remembered, as already indicated, that the cost of production covers every item of expenditure including the manufacturer's profit.

Board's estimate of the cost of production of one ton of jute hoops manufactured by the J. K. Iron and Steel Company at Cawnpore.

		RS.	A.	P.
1	Mild steel billets ·1·18 tons at Rs. 160 per ton f.o.r. Calcutta	189	0	0
2	Railway freight on the billets from Calcutta to Cawnpore	45	0	0
3	Conversion cost including depreciation, overhead charges, interest on working capital and manufacturer's profit	250	0	0
4	Railway freight on hoops from Cawnpore to Calcutta	38	8	0
5	Selling charges	7	0	0
		529	8	0
	Less credit for the recovery of 0·14 ton of defectives and scrap at Rs. 125 per ton	17	8	0
	Net cost which represents the fair selling price f.o.r. Calcutta	512	0	0

Board's estimate of the cost of production of one ton of cotton hoops manufactured by the Mysore Iron and Steel Works, Bhadravati.

		RS.
1	Mild steel billets 1·25 tons at Rs. 160 per ton f.o.r. port	200
2	Railway freight from port to Bhadravati ..	35
3	Conversion cost including depreciation, overhead charges, interest on working capital and manufacturer's profit	320
4	Average freight on hoops to the consuming centres	17
5	Selling charges	5
		577
	Less credit for the cost of recovery of 0·20 ton of scrap at Rs. 138 per ton	27
	Net cost which represents the fair selling price f.o.r. consuming centre	550

Landed cost. 20. If we were confronted with difficulties in estimating the cost of production of the Indian manufacturer, it has been equally difficult for us to ascertain the exact c.i.f. price and landed cost in the case of cotton baling hoops. There is a 12 per cent *ad valorem* revenue duty on hoops imported from the United Kingdom. In respect of jute baling hoops, the landed cost has been furnished to us by one of the leading firm of importers as follows :—

		RS.
1	C.i.f. Calcutta	318
2	Clearing and landing charges	15
	Total landed cost ex duty ..	333
3	Duty	38
	Total landed cost with duty ..	371

There is, however, some discrepancy between the quotations for cotton baling hoops supplied to us. The landed cost of cotton baling hoops as given by a leading firm of importers is shown below :—

		RS.
1	C.i.f. port	428
2	Clearing and landing charges	15
	Total landed cost ex duty ..	443
3	Duty	51
	Total landed cost with duty ..	494

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The Iron and Steel Controller has, however, informed us on the basis of a quotation received by him, that the landed cost of cotton baling hoops at present will be as follows :—

	RS.
1 C.i.f. port	369
2 Clearing and landing charges	15
Total landed cost ex duty ..	384
3 Duty	44
Total landed cost with duty ..	428

It will be found that there is a difference of Rs. 59 in the landed cost ex duty as given by the importer and by the Iron and Steel Controller. The Board has not been able to ascertain the reasons for this difference. One possible explanation for the higher quotation given by the importer may be offered. Many of the importers have their own parent office or agents in London. Taking advantage of the demand for cotton baling hoops in India and the absence of indigenous production, the importers probably add a considerable profit for their agents in London and thereby inflate the c.i.f. price in India. This tendency to inflate the price of the imported cotton hoops is likely to continue in the absence of any indigenous production. It is rather significant that in the case of jute hoops no such disparity has been noted, obviously because the Indian manufacturer has a rated capacity to meet the entire Indian demand.

Measure of protection required.

21. We have found that the fair selling price of jute hoops for the J. K. Iron and Steel Company is Rs. 512 f.o.r. Calcutta. The landed cost ex duty of imported jute hoops is Rs. 333. The measure of protection required would therefore be Rs. 179 per ton. In the case of cotton baling hoops the fair selling price of Mysore Iron and Steel Works is Rs. 550. On the basis of the information supplied by one importer, the landed cost ex duty is Rs. 443, and the measure of protection required would therefore be Rs. 107 per ton. But on the basis of the landed cost ex duty as given by the Steel Controller, which is Rs. 384 per ton, the measure of protection for the cotton baling hoops would be Rs. 166 per ton. Before making our recommendation about the exact amount of protection that must be given to the domestic manufacturers, there is one important factor which must be taken into consideration and we deal with this in the next paragraph.

Location of the J. K Iron and Steel Works.

22. The J. K. Iron and Steel Works are situated at Cawnpore. Billets have to be transported from Calcutta to Cawnpore, and the finished hoops have to be sent back from Cawnpore to Calcutta. The railway freight for billets comes to Rs. 45 per ton of hoops produced

and the railway freight on finished hoops comes to Rs. 38 per ton. The total railway freight involved is therefore Rs. 83 per ton of hoops. The main producers of billets are near Calcutta and the consumers of hoops are all practically concentrated round about Calcutta. Under these circumstances, there is no justification for the location of the hoop factory at a place which involves an unnecessary railway freight of Rs. 83 per ton which adds materially to the cost of the finished product. Besides these items of railway freight, there are also other items of freight on coal and miscellaneous stores, on which there will be a saving if the factory were situated at or near Calcutta. Whatever might have been the justification for keeping this factory at Cawnpore during wartime, there is no justification for this at present. If the continuance of this factory at Cawnpore were to be presumed, we would have unhesitatingly rejected the request for protection, because there cannot be any possible justification for imposing on the cosumer of jute baling hoops an additional cost of Rs. 83 per ton. Our recommendations contained in the following paragraphs are based on the assumption that the factory would be removed from Cawnpore. The J. K. Iron and Steel Works have agreed that they would take immediate action to transfer the works either to Asansol or to Calcutta. Either of these places would be suitable from the point of view of the supply of raw materials and the off-take of the finished product. The removal of the works must be carried out on a definite plan. We have been told that the Company has already started negotiations for the purchase of land and electric power either at Calcutta or at Asansol. It should go into production in one of these places not later than the 31st December 1947.

Subsidy to cover railway freight.

23. With a view to making hoops available at a reasonable price for the jute industry, we think that Government ought to give a temporary subsidy to bring down the cost of the hoops. We understand that with a view to stabilizing steel prices, the Iron and Steel Controller has built up an Equalisation Fund which is made up of the difference between the selling price of steel articles and the retention price allowed to the manufacturers. It would be reasonable to suggest that the benefit of this Fund should partly go to the development of an important auxiliary steel industry like the hoop industry. We, therefore, recommend that the J.K. Iron and Steel Company should be given a subsidy to cover the actual railway freight on steel billets from Calcutta to Cawnpore and on hoops from Cawnpore to Calcutta. From the information available to us at present the railway freight under these two items works out at Rs. 83 per ton of hoop produced. This subsidy is to be given to the Company on their production at Cawnpore only up to the 30th June 1947. We expect that on or before this date the Company should have made all the arrangements for shifting the plant to the new production centre. The subsidy should be a

charge on the Equalization Fund. If for any reason it is found that this charge cannot be borne by the Equalisation Fund, we recommend that the subsidy should then come from the general revenues. The rate of protective duty which we recommend in paragraph 25 will bring a substantial additional revenue to Government from imports of cotton baling hoops as there would be considerable imports of these hoops during the period of about two and a half years for which protection is recommended. Imports of at least 30,000 tons of cotton baling hoops may be expected during this period, and the extra revenue receipts resulting from the increase in duty to 30 per cent will on this basis be about Rs. 24 lakhs. The amount of subsidy involved will be about Rs. 5 lakhs based on an estimated production of 6,000 tons of hoops at Cawnpore for a period of about nine months from October 1946, when our recommendation may be expected to take effect, to June 1947.

Fair selling price.

24. If our recommendation for the grant of a subsidy to cover railway freight for the J.K. Iron and Steel Company is accepted, the effective fair selling price for jute baling hoops will be Rs. 512 minus Rs. 83, *i.e.*, Rs. 429 f.o.r. Calcutta. No freight subsidy is recommended in the case of the Mysore Iron and Steel Works, and therefore the fair selling price for cotton baling hoops will be Rs. 550 per ton f.o.r. consuming centres.

Protective duty recommended.

25. The landed cost ex-duty of jute baling hoops is expected to be Rs. 333 per ton. The difference between the effective fair selling price of Rs. 429 per ton and the landed cost ex duty of Rs. 333 per ton is Rs. 96 per ton. A protective duty of 28·8 per cent is therefore indicated. In the case of cotton baling hoops, according to the information given by the importers, the landed cost is Rs. 443 per ton; the fair selling price being Rs. 550 per ton, the difference is Rs. 107 per ton and a duty of Rs. 24·2 per cent is indicated. If the information given by the Iron and Steel Controller regarding the landed cost is correct, then the landed cost ex duty will be Rs. 384 per ton. The fair selling price being Rs. 550 per ton, the difference is Rs. 166 per ton and a duty of 43·2 per cent is indicated. We recommend the imposition of a protective *ad valorem* duty of 30 per cent on all baling hoops imported from the U.K. to remain in force up to the 31st March 1949. With regard to cotton baling hoops it is difficult to predict with accuracy the effect of 30 per cent *ad valorem* duty. If the importers' figures of c.i.f. prices are to be accepted, the duty must be considered to be high. On the other hand, if the Steel Controller's information regarding the c.i.f. prices is correct, the duty is rather low. If the importers' figure of c.i.f. price turns out to be correct, the extra duty over and above what would be necessary will be 5·8 per cent *ad valorem*. Though the production of the Mysore Iron and Steel

Works is expected to be only 3,500 tons in the first year, it is expected to go up to about 7,000 tons by the third year. Apart from this, we expect that an adequate measure of protection to the hoop industry will stimulate further production to meet the home demand. In view of the fact that the production of hoops for cotton baling is an essential ancillary to the premier national industry of the country, *viz.*, the cotton textile industry, it is worth while giving all possible encouragement for the building up of this industry in the country. We are aware of the fact that, unlike jute, cotton has to compete in the international market and that any factor which goes to increase the price of cotton will handicap its exports, and it is possible that a part of the incidence of the higher cost of baling may fall on the grower of cotton through somewhat lower prices being offered for raw cotton. Though there is small likelihood of large scale exports of raw cotton in the near future, the demand for cotton goods in the internal market is expected to remain heavy and the price of raw cotton may be expected to be sustained for some time, the extra burden likely to be passed on to the cotton grower will be inappreciable. The duty of 30 per cent in the case of the cotton hoops will give ample protection so long as the c.i.f. price of cotton baling hoops does not fall below Rs. 415. We recommend that if the c.i.f. price of jute baling hoops falls below Rs. 300 per ton and of cotton baling hoops below Rs. 400 per ton, appropriate action should be taken under section 4 (1) of the Indian Tariff Act, 1934, to maintain the measure of protection recommended by us on the basis of the fair selling price estimated above.

Supply of billets.

26. We have already stated that the re-roller is not ordinarily expected to manufacture the billets and that these will have to be supplied by the main producers of steel in India or from imported billets. During the war under the system of steel control, billets have been supplied to re-rollers by the Steel Controller. The quantities supplied to the various categories of re-rollers depended on the relative essentiality of the products. Considering the fact that steel hoops are an essential, if small, requirement of two of the main industries of India, namely, the jute industry and the cotton industry, we consider that in the national interests hoops should be manufactured in the country itself and dependence on imports must be avoided. This argument is reinforced in the case of jute baling hoops by the fact that the indigenous manufacturer has the capacity to produce all the requirements of the jute industry provided the necessary quantity of billets is supplied. We recommend that the Government should undertake the responsibility of supplying the billets to the hoop industry. It is not possible for us to indicate the source from which Government may obtain the billet supply. We think it should be possible to get the required quantity of billets from the main steel producers in the country, though we have not at our disposal sufficient data to enable us to decide

whether they have a surplus quantity of billets for supply to re-rollers. We understand that this question has been examined by the Steel Panel appointed by the Government of India. In any case the steel industry in India having been built up with State help involving subsidies and protective duties, it would be reasonable to impose upon the main steel producers an obligation to supply a stated quantity of billets for re-rollers. The maximum quantity of billets required for producing 12,000 tons of hoops is 14,000 tons. We recommend that Government should undertake the responsibility of supplying the necessary quantity of billets at Cawnpore so long as production is carried on there subject to the proviso that no billets should be supplied at Cawnpore after the 30th June 1947. Thereafter the Government should resume the supply of billets at the new production centre from the date of commencement of production there up to the 31st March 1949. The billets should be supplied at Rs. 160 per ton f.o.r. Calcutta. For the manufacture of cotton baling hoops at Bhadravati which expects to produce 3,500 tons of cotton baling hoops in the first year, about 4,200 tons of billets will have to be supplied. We have been told by the Mysore Iron and Steel Works that after the end of the first year they would be in a position to produce their own billets. We therefore recommend that the Mysore Iron and Steel Works also should be supplied up to 4,200 tons of billets until July 1947 at Rs. 160 per ton f.o.r. port.

Continuance of steel control: Period of control.

27. For the successful functioning of the scheme of protection and assistance that we have recommended it would be necessary to continue the steel control for some time, at least so far as it is required to give effect to our recommendations. We recommend that such control should be continued until 31st December 1947 when the J. K. Iron and Steel Works should be in a position to commence production at Calcutta or Asansol. During the period of the removal of the factory from Cawnpore and its re-erection at the new site, there would naturally be no production of jute baling hoops. In view of the information that has been given to us regarding the stock position, this should not create any difficulty. We were told by the representative of the Jute Mills Association that the mills carry a stock of over 9 months' requirements. The J. K. Iron and Steel Co., had 3,420 tons of steel hoops in stock on the 15th April 1946. With these stocks and with the further increased production under the scheme suggested by us, it should be possible to meet the country's demand until the J. K. Iron and Steel Works go into production at the new centre. The import of jute baling hoops should be allowed only on licence up to the limit of the quantity that may be found to be absolutely necessary after taking into account the domestic stock and supply position, and, of course, the need for maintaining a minimum level of stocks. The import of cotton baling hoops also during the control

period should be allowed only on licence with due regard to the requirements of the country.

Price of hoops to consumers.

28. The price of hoops at present charged to the consumers is Rs. 770 per ton f.o.r. port for jute baling hoops and Rs. 900 per ton f.o.r. port for cotton baling hoops, if the supplies are made from producers and Rs. 935 per ton if the supplies are made from controlled stock holders. If our recommendations are accepted, the consumers should get jute baling hoops at Rs. 429 per ton f.o.r. port and cotton baling hoops at Rs. 550 per ton f.o.r. port. Government may decide the date from which the new prices should be brought into operation.

Quality of the domestic product.

29. The Indian Jute Mills Association attaches great importance to the quality of hoops to ensure (*a*) safety against bursting in the operation of baling and (*b*) minimum volume of space for transport. They complain that a number of mills have received claims for excess freights on account of the bales being over the dead-weight measurement. In their written memorandum the Association had stated that though difficulties had been experienced during the last few years, it was not possible to state definitely that these were caused by indigenous hoops. During the oral examination their representative was more positive and expressed dissatisfaction with the quality of the indigenous product. It would appear that jute exporters got a complaint from Australia that dock workers refused to handle their jute bales on the ground that some of the bales burst thereby involving risk. It has not been established that these bales were pressed with Indian-made hoops. On receipt of this complaint the Association brought the matter to the notice of the Iron and Steel Controller. Thereupon the Steel Commissioner had a conference with the representatives of the Association and in consultation with them prescribed specifications for the jute baling hoops. The Association agreed to these specifications. They now state that as a result of experience they are not satisfied with the existing specifications. These specifications are stated to be below the standard adopted in the United Kingdom. On making enquiries we found that there are no prescribed British standard specifications for jute hoops. The specifications are usually furnished by the buyer. If the Indian jute baling hoops are made to prescribed specifications, we do not see any reason why they should not prove as satisfactory as the British-made hoops. The J. K. Iron and Steel Company representative informed the Board that it would be possible for his works to manufacture the hoops to prescribed specifications. We therefore recommend that steps should be taken to prescribe specifications for the jute baling hoops by a competent authority.

30. The Bomaby Millowners' Association and the Indian Central Cotton Committee have said in their memoranda that the

quality of cotton baling hoops is reported to be generally satisfactory though a few mills and factories have reported dissatisfaction and a number of burstings. In these cases also it is not definitely stated that the hoops used were of Indian manufacture. We recommend that in consultation with some of the leading importers and consumers, specifications should be prescribed also for the cotton baling hoops.

Test certificate of quality.

31. Some arrangements will have to be made to ensure that the hoops leaving the works do in fact conform to the specifications prescribed. We understand that in the case of tested steel supplied by the Tata Iron and Steel Company, the Steel Corporation of Bengal and the Indian Steel and Wire Products, a Government Metallurgical Inspector testifies that the product conforms to the prescribed specifications. A similar arrangement should be made in the case of jute baling hoops and cotton baling hoops. If these arrangements are made, we do not see any reason why the Indian manufacturers should not be in a position to supply baling hoops of the required quality. According to the Iron and Steel Controller the quality of hoops made by the J. K. Iron and Steel Works is satisfactory.

Burden of protection.

32. We may now estimate the extent of burden of the protective duty that we have recommended on the consumers of baling hoops. Since baling hoops form an item in the cost of jute bags, raw cotton and finished cotton goods, it is necessary to ensure that any protection granted to the baling hoop industry does not impose any appreciable handicap on these consuming industries. Taking the case of jute baling hoops, one ton of hoops is necessary for baling about 1,100 bales of gunny bag. If the import of baling hoops were allowed on the existing *ad valorem* revenue duty of 12 per cent on Undited Kingdom imports, the cost per ton of baling hoops will be Rs. 371. The cost of hoops required for one bale will be about Re. 0–5–4. On the basis of a protective *ad valorem* duty of 30 per cent, the price of the jute baling hoops will be Rs. 431 per ton and the cost of hoops for one bale of gunny bags will be Re. 0–6–3. The increase in cost, therefore, will be less than Re. 0–1–0 per bale of gunny bags, valued at prices which cannot be considered to be a heavy burden on the jute industry.

33. With regard to cotton baling hoops, one ton of hoops is required for baling about 333 bales of cotton. At the existing level of duty, the cost per ton of hoops as given by one of the importing firms is Rs. 494. This means that the cost of hoops for one bale of cotton is about Rs. 1–7–9. With the duty at 30 per cent as proposed, the cost of hoops per ton will be Rs. 555 and per bale of cotton about Rs. 1–10–9. The increase in the cost of hoops involved by the rate of duty proposed will, therefore, be Re. 0–3–0 per bale of cotton. This cannot be considered to be a significant addition to

the cost of cotton. In this connection, one other factor should be remembered. Since most of the cotton bales are transported within the country itself, the hoops used for baling can be and are in fact used again. The real significance of this is that in the increase in the cost of Re. 0–3–0 per bale due to the increased cost of hoops, at least Re. 0–1–0 per bale would be recovered by the sale of second-hand hoops. The net burden on the cotton industry will therefore be about Re. 0–2–0 per bale. We are satisfied that neither in the case of the jute industry nor in that of the cotton industry can the increased duty be considered to impose a handicap or a real burden. It must also be remembered that the existing duty on imports from countries other than the United Kingdom is 24 per cent *ad valorem*. In the pre-war years, a considerable portion of the imports came from Belgium and certain other continental countries. Though there was a preferential duty of 12 per cent *ad valorem* in the case of the United Kingdom, the burden on the consumer must have been determined by the higher rate of duty. We are informed that there is no possibility of any imports of hoops from the continental countries for some time to come. In assessing the burden of the proposed 30 per cent *ad valorem* duty, the increased duty should properly be compared with the 24 per cent *ad valorem* duty. Considered from this point of view, it cannot be said that any undue additional burden will be imposed on the consuming industries by increasing the duty to 30 per cent *ad valorem*.

Future prospects of the industry.

34. The main factor to be taken into consideration in assessing the prospect of the baling hoop industry is the capacity of the manufacturer to produce hoops at a reasonable conversion cost. As we have already stated he cannot be held responsible for the cost of billets which is beyond his control. The future prospect of the industry should therefore be judged by the probable cost of conversion in the near future. We have allowed a conversion cost of Rs. 250 per ton in the manufacture of jute baling hoops. This is based on an estimated production of 5,000 to 6,000 tons per annum. The J. K. Iron and Steel Company's rated capacity is 12,000 tons per annum and if they are given the necessary billets, they should be in a position to manufacture this quantity. As the volume of production increases and more experience is gained, the cost of conversion will come down considerably. On the full production of 12,000 tons the cost of conversion should be well under Rs. 200 and the J. K. Iron and Steel Company should be in a position to reduce its costs to this level in the third year of the period of protection recommended by us. One other factor which will reduce the conversion cost is the saving that will be made in the railway freight on coal and the miscellaneous items of stores when the factory starts production at Calcutta or at Asansol. We have, however, allowed a uniform conversion cost of Rs. 250 for the whole period of protection in view of the fact that the company will have to go out of production during the period when they would be shifting from Cawnpore and

also on account of the extra expenditure that must necessarily be incurred in the removal and re-erection of the plant. When the conversion cost is reduced to Rs. 200 per ton, the fair selling price will compare favourably with the landed cost ex duty of Rs. 333 per ton. By the third year of the period of protection, the jute baling hoops industry should therefore be able to stand competition with the help of only a revenue duty on the basis of the existing c.i.f. price.

35. On their own estimate the conversion cost of cotton baling hoops for the Mysore Iron and Steel Works will be Rs. 204 per ton on a production of 80 per cent. of rated capacity and Rs. 164 per ton on a production of the full rated capacity. When these costs are achieved, the cotton baling hoop industry can withstand foreign competition without any difficulty. The Mysore Iron and Steel Works expect to produce about 3,500 tons in the first year, about 5,000 in the second year ending June 1943 and 6,500 to 7,000 tons in the third year ending June 1949.

36. If our anticipations prove correct, the baling hoop industry must be in a position to meet competition towards the end of the period of protection recommended by us. We recommend that a review of the industry should be made some time during the first quarter of 1949.

How far conditions laid down by Government are satisfied.

37. The J. K. Iron and Steel Company belong to the Juggilal Kamlapat group which plays an important part in the industrial activities of the country. The Company has shown initiative and enterprise in undertaking the production of baling hoops which involves high technical skill and has successfully produced baling hoops during the last few years. Though there is considerable scope for economies in several items of expenses as pointed out by us, it can be said that the Company is established and conducted on sound business lines. The Mysore Iron and Steel Works are owned by the Mysore Government who have shown commendable enterprise in the fostering and development of various indigenous industries. We have no hesitation in saying that these works are established and conducted on sound business lines.

38. In examining the future prospects of the industry, we have shown in a previous paragraph that there is every chance of the cost of manufacture being reduced considerably during the course of the next three years. We therefore come to the conclusion that having regard to the probable cost of manufacture in the near future, the industry is likely within a reasonable time to develop sufficiently to be able to carry on successfully without protection or State assistance.

39. The cotton textile industry and the jute industry are two of the major industries of the country. The supply of baling hoops is an essential and indispensable link in either of these industries.

Without an adequate supply of baling hoops it will be impossible to export the jute products or raw cotton, or to transport internally raw cotton and finished cotton goods. The extra burden that will fall on the consumer of baling hoops is almost negligible. For these reasons we consider it necessary to encourage the manufacture of steel hoops in India so that the country may become self-sufficient in the supply of an important product. It may therefore be said that in the national interest as well it is desirable to protect this industry.

Summary of Recommendations.

40. (1) The J. K. Iron and Steel Company should be given a subsidy to cover the actual railway freight on steel billets from Calcutta to Cawnpore and on hoops from Cawnpore to Calcutta, which at present works out at Rs. 83 per ton of hoop produced. This subsidy is to be given to the Company on their production at Cawnpore only up to the 30th June 1947. The subsidy should be a charge on the Equalization Fund built up by the Iron and Steel Controller. If for any reason it is found that this charge cannot be borne on the Equalization Fund, the subsidy should be met from the general revenues. (Paragraph 23.)

(2) A protective *ad valorem* duty of 30 per cent. should be levied on all imports of baling hoops from the United Kingdom. The duty should remain in force up to the 31st March 1949. (Paragraph 25.)

(3) If the c.i.f. price of jute baling hoops falls below Rs. 300 per ton and of cotton baling hoops below Rs. 400 per ton, appropriate action should be taken to increase the duty under section 4 (1) of the Indian Tariff Act, 1934. (Paragraph 25.)

(4) The Government of India should undertake the responsibility of supplying the necessary quantity of billets to the J.K. Iron and Steel Company at Cawnpore, so long as production is carried on there, subject to the proviso that no billets should be supplied at Cawnpore after 30th June 1947. Thereafter, Government should resume the supply of billets at the new production centre from the date of commencement of production up to the 31st March 1949. The billets should be supplied at Rs. 160 per ton f.o.r. Calcutta. (Paragraph 26.)

(5) The Mysore Iron and Steel Works should be supplied by the Government of India with billets up to a maximum of 4,200 tons until July 1947 at Rs. 160 per ton f.o.r. port. (Paragraph 26.)

(6) The iron and steel control should continue until the 31st December 1947 so far as it is necessary to give effect to our recommendations. The import of hoops should be allowed only on licence up to the limit of the quantity that may be found to be absolutely necessary after taking into account the domestice supply available. (Paragraph 27.)

(7) Government may decide the date from which new prices should be brought into operation under which consumers should get jute baling hoops at Rs. 429 per ton f.o.r. port and cotton baling hoops at Rs. 550 per ton f.o.r port. (Paragraph 28.)

(8) Steps should be taken to prescribe specifications for jute and cotton baling hoops in consultation with consumers and leading importers. (Paragraph 30.)

(9) A Government Metallurgical Inspector should issue test certificates that all jute baling hoops and cotton baling hoops going out of the works do conform to the standards prescribed. (Paragraph 31.)

(10) A review of the baling hoop industry should be made in the first quarter of 1949. (Paragraph 36.)

Acknowledgments.

41. The Board wishes to place on record its thanks to Dr. Madan, the Deputy Secretary, for having supervised the preparation of the case from start to finish, to Mr. Gonsalves, the Cost Accounts Officer, for having examined the figures of cost of production of the main producer, and to Messrs. Whittle, Black and Walshaw of the Department of Industries and Supplies for their very helpful co-operation and advice in a rather difficult case.

SHANMUKHAM CHETTY,
President.

C. C. DESAI,
Member-Secretary.

NAZIR AHMAD,
Member.

H. L. DEY,
Member.

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B. K. MADAN,
Deputy Secretary.

(CAMP) OOTACAMUND, *The* 29*th May* 1946.

APPENDIX I.

Resolution of the Government of India, Department of Commerce (Tariffs), No. 218-*T* (55)/45, *dated New Delhi, the 3rd November* 1945.

In the statement on industrial policy issued by the Government of India on the 23rd April 1945, it was announced that pending the formulation of a tariff policy appropriate to the post-war needs and conditions of the country and the establishment of permanent machinery for the purpose, Government would set up machinery for investigating claims from industries, which have been started or developed in war time and which are established on sound lines, to assistance or protection during the transition period. A press communiqué issued on the same date invited industries to address their claims to the Secretary to the Government of India in the Department of Commerce.

2. Several industries have accordingly applied for assistance or protection, and on a preliminary examination of their claims, the Government of India have come to the conclusion that applications submitted by the following industries call for a detailed examination :—

(i) non-ferrous metals, including antimony ;
(ii) grinding wheels ;
(iii) caustic soda and bleaching powder ;
(iv) sodium thiosulphate, sodium sulphite anhydrous, sodium bisulphite ;
(v) phosphates and phosphoric acid ;
(vi) butter colour, aerated water powder colour ;
(vii) rubber manufactures ;
(viii) fire hose ;
(ix) wood screws ;
(x) steel hoops for baling.

Other applications are under the consideration of Government, and further action in their case will be taken in due course.

3. In addition to the industries which have applied for assistance or protection, there are certain industries the starting of which was considered essential by the Government of India under conditions created by the war. Early in 1940, Government announced that specified industries promoted with their direct encouragement during war time might feel assured that, if they were conducted on sound business lines, they would, by such measures as Government might devise, be protected against unfair competition from outside India. In accordance with this decision, the following industries have been given an assurance of protection against unfair competition after the war :—

(i) bichromates ;
(ii) steel pipes and tubes up to a nominal bore of 4 inches ;
(iii) aluminium ;
(iv) calcium chloride ;
(v) calcium carbide ;
(vi) starch.

Of these industries, only those engaged in the manufacture of bichromates, calcium chloride and starch have so far applied for assistance or protection during the transition period. The Government of India consider that the applications submitted by these three industries also call for immediate investigation.

4. For the purpose of these and any subsequent investigations, the Government of India have decided to set up a Tariff Board for a period not exceeding two years, in the first instance. The Board will consist of—

PRESIDENT :

Sir R. K. Shanmukham Chetty, K.C.I.E.

MEMBERS :

Mr. C. C. Desai, C.I.E., I.C.S.

Prof. H. L. Dey, D.SC. (Lond.).

The Board will include one more Member whose name will be announced shortly. Mr. Desai will act as Secretary to the Board in addition to his duties as Member.

5. The Tariff Board is requested to undertake, in such order as it thinks fit, the investigation of claims put forward by the industries specified in paragraphs 2 and 3 above. In the case of each industry the Board will, after such examination as it considers necessary, report whether the industry satisfies the following conditions :—

(1) that it is established and conducted on sound business lines ; and

(2) (*a*) that, having regard to the natural or economic advantages enjoyed by the industry and its actual or probable costs, it is likely within a reasonable time to develop sufficiently to be able to carry on successfully without protection or State assistance ; or

(*b*) that it is an industry to which it is desirable in the national interest to grant protection or assistance and that the probable cost of such protection or assistance to the community is not excessive. Where a claim to protection or assistance is found to be established, i.e., if condition (1) and condition (2) (*a*) or (*b*) are satisfied, the Board will recommend—

(i) whether, at what rate and in respect of what articles, or class or description of articles, a protective duty should be imposed ;

(ii) what additional or alternative measures should be taken to protect or assist the industry ; and

(iii) for what period, not exceeding three years, the tariff or other measures recommended should remain in force.

In making its recommendations the Board will give the weight to the interests of the consumer in the light of the prevailing conditions and also consider how the recommendations affect industries using the articles in respect of which protection is to be granted. Since relief, to be effective, should be afforded without delay, the Board is requested to complete its enquiries with all possible expedition and to submit a report as soon as the investigation of the claim of each industry is concluded.

6. The headquarters of the Board will be at Bombay, but it will visit such other places as it thinks necessary for purposes of its enquiries. Firms and persons interested in any of these industries, or in industries dependent on the use of the products of these industries, who desire that their views should be considered, should address their representations to the Secretary to the Board.

7. Any claims hereafter received from other industries which in the opinion of the Government of India are suitable for examination by the Board will be referred to the Board in due course for examination.

8. The Government of India trust that Provincial Governments and Administrations will afford the Board all the assistance which it may require and will comply with any request for information which may be addressed to them by it.

N. R. PILLAI,
Secretary.

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APPENDIX II.

List of producers, consumers and importers who submitted written evidence to the Board.

Producers—

(1) The J. K. Iron and Steel Company, Limited, Kamla Tower, Cawnpore.

(2) The Mysore Iron and Steel Works, Bhadravati (Mysore).

(3) The India Steel Rolling Mills, Negapatam.

Consumers—

(1) The Indian Jute Mills Association, Calcutta.

(2) The Cochin Chamber of Commerce, Cochin.

(3) The Indian Central Cotton Committee.

(4) The Mill-owners' Association, Bombay and Ahmedabad.

Importers—

(1) Messrs. McGregor and Balfour, Limited, 11, Clive Street, Calcutta.

(2) Messrs. Greaves Cotton & Co., Ltd., 1, Forbes Street, Fort, Bombay.

(3) Messrs. W. T. Suren & Co., United India Buildings, Sir Phirozshah Mehta Road, Bombay.

(4) Messrs. Volkart Brothers, Volkart Building, Graham Road, Ballard Estate, Bombay.

(5) Messrs. Grahams Trading Company, Limited, 16, Bank Street, Bombay.

(6) Messrs. Podar Trading Company, Limited, Podar Chambers, Parsee Bazar Street, Bombay.

(7) Messrs. Padamsey Premji & Co., 113, New Chinch Bunder, Bombay.

(8) Messrs. Lalji Doongershy & Co., Tejoo Kayu Building, Chinch Bunder Road, Bombay.

APPENDIX III.

List of witnesses examined by the Board and the dates on which they were examined.

Name.	Date.
Producers—	
(1) Mr. S. M. Bashir,	
(2) Mr. S. Mahalingam,	
Representing the J. K. Iron and Steel Company, Limited, Cawnpore ..	9th April 1946.
(3) Mr. P. R. Balakrishnan,	
(4) Mr. D. V. Krishna Rao,	
Representing the Mysore Iron and Steel Works, Bhadravati (Mysore State) ..	9th April 1946.
Consumers—	
(5) Mr. J. R. Walker,	
(6) Mr. M. P. Birla,	
Representing the Indian Jute Mills Association, Calcutta	10th April 1946.
(7) Mr. C. P. Greuter,	
Representing the Cochin Chamber of Commerce	10th April 1946.
Importers—	
(8) Mr. J. S. Stewart,	
Representing Messrs. McGregor and Balfour, Limited, Calcutta	10th April 1946.

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APPENDIX IV.

Statement showing the quantity, value and average value per ton of imports of iron or steel hoops and strips into India since 1936–37.

	1936–37.	1937–38.	1938–39.	1939–40.	1940–41.	1941–42.	1942–43.	1943–44.	1944–45.	1945–46 (eight months, from April to November 1945).
I. Quantity of imports from—										
(*a*) Private—										
1 U.K. Tons (000)	15·17	19·17	9·22	14·39	14·97	5·89	0·45	0·44	0·03	1·06
2 Germany ,,	6·36	5·68	2·59	0·95	..	..	..	..	Information not available.	
3 Belgium ,,	10·67	11·81	5·85	6·07	3·37	0·05	..	..	Do.	
4 France ,,	2·30	3·99	1·59	1·91	0·02	..	..	..	Do.	
5 Japan ,,	1·46	2·02	3·25	5·47	8·43	3·30	..	..	Do.	
6 U.S.A. ,,	2·80	2·45	0·92	2·23	18·30	7·25	10·03	5·34	5·78	2·76
7 Other countries ,,	2·44	3·38	0·99	2·15	0·68	0·16	0·01	0·04	0·03	0·01
Total .. ,,	40·32 *	48·50	24·41	33·17	45·77	16·65	10·49	5·82	5·84	3·83
(*b*) Government ~~stores~~—										
1 U.K. Tons (000)	0·01	0·01	0·04	0·03	0·15	..	0·01	..	..	Informatien not available.
2 U.S.A. ,,	..	..	..	..	..	..	0·38	2·93	10·59	Do.
3 Other countries ,,	0·01	..	..	..	..	..	..	..		
Total .. ,,	0·02	0·01	0·04	0·03	0·15	..	0·38	2·93	10·59	
Grand total .. ,,	40·33 *	48·51	24·45	33·20	45·92	16·65	10·87	8·75	16·43	

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* (1) Excluding imports into Burma.
(2) The totals are corrected to two decimals from the original totals.

Statement showing the quantity, value and average value per ton of imports of iron or steel hoops and strips into India since 1936–37—cont.

		1936–37.	1937–38.	1938–39.	1939–40.	1940–41.	1941–42.	1942–43.	1943–44.	1944–45.	1945–46 (eight months, from April to November 1945).
II. Value of imports from—											
(*a*) Private—											
1 U.K.	Rs. (Lakhs)	23·09	38·25	20·45	31·73	45·46	21·57	1·57	1·51	0·19	3·81
2 Germany	,,	8·47	10·93	5·25	2·08	..	..	..	..	Information not available.	
3 Belgium	,,	11·78	19·05	10·03	12·72	11·46	0·18	..	..	Do.	
4 France	,,	2·10	3·54	3·07	2·98	0·03	..	..	..	Do.	
5 Japan	,,	1·66	4·07	5·84	13·44	26·41	12·97	..	..	Do.	
6 U.S.A.	,,	3·75	3·76	1·93	4·69	60·45	25·73	43·33	23·79	27·79	10·20
7 Other countries	,,	3·04	6·11	1·98	5·58	2·10	0·37	0·01	0·13	0·06	0·02
Total ..	,,	52·60 *	85·71	48·55	73·22	145·91	60·82	44·91	25·43	28·04	14·03

(*b*) Government stores—										
1 U.K. Rs. (Lakhs)	0·02	0·01	0·13	0·10	0·78	..	0·04	..	..	Information not available.
2 U.S.A. ,,	..	..	..	..	..	..	1·78	11·55 }	43·61	
3 Other countries ,,	0·01	..	0·01	..	..	..	..	0·01 }		Do.
Total .. ,,	0·03	0·01	0·14	0·10	0·78	..	1·81	11·56	43·61	
Grand total .. ,,	52·63 *	85·72	48·69	73·33	146·69	60·82	46·72	36·99	71·65	
III. Average value per ton of imports from—										
	RS. A.	RS. A.	RS. A.	RS. A.	RS. A.	RS. A.	RS. A.	RS. A.	RS. A.	RS. A.
(*a*) Private—										
1 U.K.	152 3	199 9	221 15	220 10	303 12	366 1	350 9	342 7	615 9	358 1
2 Germany	133 5	192 6	202 15	218 14	..	..	..	..		
3 Belgium	110 6	161 6	171 6	209 8	340 3	352 1	..	..		
4 France	91 6	88 15	192 15	156 4	202 10	..	..	..		
5 Japan	113 7	202 1	179 14	245 13	313 7	392 13	..	..		
6 U.S.A.	134 7	153 9	209 7	210 1	330 5	354 13	431 12	446 0	480 12	369 5
Total Imports ..	130 7	176 12	198 14	220 12	318 13	365 4	428 4	436 12	479 15	366 2
(*b*) Government stores—										
1 U.K.	263 14	190 0	327 15	359 5	538 13	..	733 3	..		
2 U.S.A.	..	..	..	..	..	..	472 2	394 12		
Total Imports ..	193 0	190 0	333 10	359 5	538 13	..	475 9	394 13		

* (1) Excluding imports into Burma.
(2) The totals are corrected to two decimals from the original totals,

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